

EXPLANATORY MEMORANDUM TO

THE SMALL CHARITABLE DONATIONS ACT (AMENDMENT) ORDER 2019

2019 No. 337

1. Introduction

- 1.1 This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 The purpose of this instrument is to increase the maximum donation upon which a charity can claim a Gift Aid style top-up payment under the Gift Aid Small Donations Scheme (GASDS) from £20 to £30, with effect from 6 April 2019 for donations made on or after that date.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

- 3.1 None.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

- 3.2 The territorial application of this instrument includes Scotland and Northern Ireland.
- 3.3 The powers under which this instrument is made cover the entire United Kingdom (see Section 20 to The Small Charitable Donations Act 2012) and the territorial application of this instrument is not limited either by the Act or by the instrument.

4. Extent and Territorial Application

- 4.1 The territorial extent of this instrument is all of the United Kingdom.
- 4.2 The territorial application of this instrument is all of the United Kingdom.

5. European Convention on Human Rights

- 5.1 The Exchequer Secretary to the Treasury has made the following statement regarding Human Rights:

“In my view the provisions of the Small Charitable Donations Act (Amendment) Order 2019 are compatible with the Convention rights.”

6. Legislative Context

- 6.1 The Small Charitable Donations Act 2012 came into force on 6 April 2013 introducing a new scheme to enable charities and Community Amateur Sports Clubs (CASCs) to claim a Gift Aid style top-up payment on small cash donations up to £20 in circumstances where it is not practical or feasible to obtain a Gift Aid declaration. This order increases the maximum amount of a small charitable individual donation on which these payments can be claimed, to £30. Eligible charities and CASCs can claim these top-up payments on up to £8,000 of small donations each year.

7. Policy background

What is being done and why?

- 7.1 Gift Aid tax relief allows charities to claim 25p every time an individual who pays tax donates £1 to the charity or a community amateur sports club (CASC) and makes a Gift Aid declaration. A Gift Aid declaration gives details of the donor and confirms they will have paid enough tax for the charity to claim the Gift Aid tax relief on the donation made.
- 7.2 The GASDS allows qualifying charities and CASCs to claim a Gift Aid style top-up payment on small donations that are received in circumstances where it is not practical or feasible to obtain Gift Aid declarations, for example during bucket collections. This order increases the maximum amount of an individual donation on which a Gift Aid style top-up can be claimed to £30 from the previous maximum of £20.
- 7.3 GASDS top-up payments are funded through public spending and are intended to support small charities that depend on public donations to fund their charitable activities.
- 7.4 Charities and CASCs must meet certain conditions in order to qualify to claim under the GASDS. In particular, these organisations must have a compliant track record in claiming Gift Aid on qualifying donations.
- 7.5 Charities and CASCs can claim a top-up on up to £8,000 of small donations in a tax year. This means that charities and CASCs may, in general, claim up to £2,000 in these payments in a year (25% of the gross amount donated). Charities which undertake charitable activities in more than one community building, for example in village halls or religious buildings, can claim on up to £8,000 of small donations per community building.
- 7.6 Increasing the individual GASDS donation limit will allow charities to claim top-up payments in respect of larger cash and contactless donations boosting support for their charitable activities.
- 7.7 The Government estimates that around 20,000 organisations will benefit from this measure. Only 20 per cent of organisations currently participating in the GASDS are already claiming at, or close to, the overall limit of £8,000 per charity (or community building). The increase in the individual donation limit will therefore allow more charities to receive more in GASDS payments.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

- 8.1 This instrument does not relate to withdrawal from the European Union.

9. Consolidation

- 9.1 Not appropriate.

10. Consultation outcome

- 10.1 No consultation has been undertaken in respect of this instrument as this Order simply increases the maximum individual GASDS donation limit to £30 from £20 following representations from charities' representative groups.

11. Guidance

- 11.1 HMRC's guidance on the GASDS will be amended to reflect the change made by this Order. It will be published to coincide with the coming into effect of this instrument.

12. Impact

- 12.1 The impact on business, charities or voluntary business is that it is expected to have a positive impact on around 20,000 charities and CASCs. Charities and CASCs that claim top-up payments under the GASDS scheme will be able to claim top-up payments in respect of donations of up to £30 as a result of this measure. It is not expected that there will be any on-going costs as, other than the individual donation limit, the GASDS is not changing.
- 12.2 There is no impact on the public sector because the change only applies to charities and CASCs that collect donations made in situations where it is not practical or feasible to make a Gift Aid declaration.
- 12.3 A Tax Information and Impact Note covering this instrument was published on 30 October 2018 is available on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>. It remains an accurate summary of the impacts that apply to this instrument.

13. Regulating small business

- 13.1 The legislation applies to activities that are undertaken by small businesses.
- 13.2 No specific action is proposed to minimise regulatory burdens on small businesses.
- 13.3 The basis for the final decision on what action to take to assist small businesses is that no action is required because the only impact on small businesses is that CASCs will be able to claim Gift Aid style top-up payments on donations up to £30 rather than the previous limit of £20.

14. Monitoring & review

- 14.1 The impact of this legislation will be monitored through information provided in GASDS claims, correspondence, and regular feedback obtained from liaison and meetings with representatives of the charity sector.
- 14.2 This instrument is exempt from the requirement to provide a review provision in accordance with section 28(3)(c) of The Small Business, Enterprise and Employment Act 2015 as it relates to the giving of grants by a public authority.

15. Contact

- 15.1 Has Mukh Dodia at Her Majesty's Revenue and Customs email: charitypolicy.taxteam@hmrc.gsi.gov.uk can be contacted with any queries regarding the instrument.
- 15.2 Guy Hooper, Deputy Director for Pensions, Savings and Charities policy at Her Majesty's Revenue and Customs can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Robert Jenrick the Exchequer Secretary at the Her Majesty's Treasury can confirm that this Explanatory Memorandum meets the required standard.